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MINERALS PROGRAM
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Chief Consolidated Mining Co.

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DIVISION OF
OIL GAS & MINING

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Dear Shareholder:

This letter will bring you up-to-date regarding events that have taken place since Chief issued its 1990 Annual Report on June 10, 1991.

Lawsuit in Utah State Court

The trial of Chief's Utah State District Court case against Sunshine Mining Company, which was scheduled to begin on August 5, 1991 in Provo, Utah, was postponed until February 3, 1992. After hearing oral arguments on August 12, 1991, the Court affirmed a final ruling that dismissed from the lawsuit Chief's claims against Sunshine premised upon Sunshine's breach of its mining leases with Chief and Sunshine's failure to proceed with the mining of Chief's properties under lease to Sunshine. The claims dismissed were the principle ones in terms of the total potential recovery. Your Company and its counsel believe the Court's ruling is in error because it is based on the Court's conclusion that Sunshine has no obligation to develop or mine any of Chief's properties including the Burgin Mine which has been under lease to Sunshine since October, 1980. Your Management believes that the ruling deprived your Company of the opportunity to present its evidence that Sunshine has breached the express and implied promises of the leases.

Chief has initiated its appeal process with the Utah Supreme Court to have the dismissed claims reinstated. It is not known at this time whether the Utah Supreme Court or the Utah Court of Appeals will be the designated court to rule on Chief's appeal. The trial of February 3, 1992 will include Chief's claims against Sunshine for conversion of Chief's property and fraud in obtaining Chief's consent for assignment to Sunshine of the Tintic Unit Lease. If Chief were to obtain a favorable ruling from an appellate court on the dismissed claims, it is not anticipated that such a ruling would be issued in time for inclusion of the issues on appeal in the February 3, 1992 trial.

In brief, to apprise new shareholders of the background of Chief's lawsuit, Sunshine has refused to proceed with any of its own numerous mining plans to develop and mine your Company's Burgin Mine that Sunshine has had under lease for over eleven years. Your Company holds title to the Burgin property that it leases to Sunshine including fixed assets, underground mine workings and orebodies. The Burgin property is comprised of headframes and shafts, a 1,200 ton per day concentrating mill and various support buildings. The Mine and Mill were constructed by Kennecott Corporation during the period that it leased the property from Chief between 1966 and 1978.

Sunshine terminated all of its Burgin work in 1987 just after developing, by means of both surface and underground drilling programs, proven and probable Burgin reserves of 1,032,173 tons of ore containing an estimated 23.9 million ounces of silver, 275 thousand tons of lead and 90 thousand tons of zinc. After establishing these reserves, Sunshine promptly proceeded to qualify them with the Securities and Exchange Commission for reporting purposes.

Federal RICO Lawsuit

On September 10, 1991 the U.S. Court of Appeals for the Tenth Circuit cancelled the September 16, 1991 oral hearing at which Chief was prepared to argue its appeal of a lower district court's ruling that found that Chief has no standing to sue Sunshine in a RICO action. Chief's RICO claims against Sunshine were based upon acts and omissions which occurred in the sale of various Sunshine securities. The lower court dismissed the charges on the ground that Chief was not a buyer or seller of the Sunshine securities involved. The Appeals court, in cancelling the hearing, has ruled that since the United States Supreme Court has granted Certiorari in a similar case (Holmes vs. Securities Investor Protection Corporation) in which the Ninth Circuit U.S. Court of Appeals in California overturned a lower court decision based on the same buyer-seller rule that was applied in Chief's case, its consideration of Chief's appeal will be deferred until a Supreme Court decision is issued on the controlling buyer-seller issue. On November 13, 1991 the Supreme Court heard oral arguments in the Holmes case. It cannot be predicted when the Supreme Court will issue its decision.

If the Supreme Court affirms the Ninth Circuit Appeal Court's decision, it means that plaintiffs, such as Chief, who do not have standing under a purchaser-seller requirement of the securities laws, can nevertheless sue

under RICO. If your Company is successful in its appeal, it is anticipated that the RICO action against Sunshine would be reinstated in the U.S. District Court, District of Utah, Central Division.

The underlying basis for Chief's RICO action against Sunshine is Sunshine's use of your Company's Burgin Mine proven and probable reserves over the past five years in various securities offerings that were underwritten by Drexel Burnham Lambert. No portion of the more than \$100 million proceeds from these offerings was used to develop and mine the Burgin. In prospectuses filed with the SEC for these stock and bond sales to the public, the Burgin reserves were included and represented approximately 40% of Sunshine's silver reserves and 100% of its lead and zinc reserves.

It is apparent now that Sunshine never intended to mine these reserves by an actual Burgin mining operation. In Utah court filings, Sunshine has stated that it is under no obligation to mine the properties it leases from Chief despite Sunshine's own reported development of economically feasible proven and probable Burgin reserves.

Main Tintic District Current Operations

Since North Lily Mining Company began the heap leaching of your Company's Centennial Eureka dump during the second quarter of 1991, North Lily has processed approximately 84,000 tons of Chief's dump material for which your Company has received approximately \$62,000 in royalties. It is anticipated that North Lily will complete its work on the Centennial Eureka Dump in December of this year and negotiations are currently taking place relating to the inclusion of additional Chief dumps in the February, 1991 agreement. Your Company's six remaining Dumps contain an estimated total of four million tons of material that accumulated as waste and mill tailings over some fifty years of Chief's own mining operations.

East Tintic District Current Operations

In November 1991, to facilitate access to the Unit Lease property of South Standard Mining Company, Chief's co-lessor under the Unit Lease, your Company agreed to a one year extension allowing Sunshine to use Chief's Burgin Mine Apex #2 Shaft for access to the Eureka Standard Mine. On November 11, 1991, Sunshine, utilizing the Burgin's Apex #2 shaft, resumed its drifting and rehabilitation work to explore and develop the Eureka Standard orebody. The Eureka Standard, when it was in production, was the highest grade precious metal mine in the Tintic District. The average grade of its ore was 0.70 ounces of gold, 9.3 ounces of silver and 4% copper per ton.

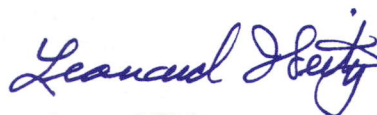
Sunshine is continuing its production of gold and silver flux ore from the Trixie Mine under the Unit Lease. Your Company continues to receive earned royalties from Sunshine for Trixie ore shipments to both the Kennecott smelter in Magna, Utah and the ASARCO smelter in El Paso, Texas.

Postponement of 1991 Shareholders Meeting

Your Management has postponed the next Chief's shareholders meeting until 1992. Several factors entered into the decision to put the 1991 meeting over into 1992. The primary reason relates to your Company's various legal actions against Sunshine that are awaiting judicial decisions in Federal and State Courts. In order not to compromise Chief's position in the lawsuits, all of Chief's shareholders are being brought up to date by means of this letter, rather than only those attending the meeting. Further, only a limited amount of information relating to this extensive litigation can be discussed at this time. From an economic viewpoint the substantial cost of an annual meeting can be more effectively directed towards the litigation against Sunshine. Your Management will select a date for the next meeting of shareholders to be held in 1992 at the earliest date practicable and consistent with the best interests of Chief and its shareholders.

We thank you for your continuing support and assure you that Chief's management will continue to be relentless in its efforts to seek to have your Company's extensive mining property holdings properly and fully exploited for the benefit of Chief's stockholders.

Very truly yours,



Leonard Weitz
President and Chairman

November 14, 1991